

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 AID-05 IGA-02 PM-04 NSC-05

SP-02 SS-15 H-02 CIAE-00 INR-07 NSAE-00 IO-13 STR-04

EB-07 COME-00 FRB-03 TRSE-00 XMB-02 OMB-01 SSO-00

NSCE-00 INRE-00 /083 W

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FM AMEMBASSY PANAMA

TO SECSTATE WASHDC IMMEDIATE 9941

C O N F I D E N T I A L PANAMA 8194

JOINT EMBASSY-USAID MESSAGE

PASS NSC & TREASURY

E.O. 11652: GDS

TAGS: EAID, EINV, PN

SUBJECT: CONVENTION CENTER, LOAN 525-L-038

REF: PANAMA 8059

1. REQUEST IMMEDIATE GUIDANCE IN DEALING WITH GOP ON
SUBJECT LOAN AS IT IS ESCALATING AS POLITICAL ISSUE BETWEEN
USG AND GOP.

2. PANAMANIAN INSTITUTE OF TOURISM (IPAT) ALERTED USAID ON
DECEMBER 1 THAT (A) SIX BIDS FROM FIRMS ELIGIBLE UNDER BOTH
AID AND IDB CRITERIA NOW RECEIVED; (B) BIDS WILL BE OPENED
DECEMBER 7, 1976 AND CONSTRUCTION CONTRACT AWARDED ON
DECEMBER 20; AND (C) AID WILL BE REQUESTED TO OBLIGATE ITS
REMAINING FUNDS UNDER LOAN 525-L-038 BEFORE TCD OF
DECEMBER 31, 1976.

3. AID DIRECTOR THEREUPON CONTACTED PLANNING MINISTER
BARLETTA TO WARN THAT AID MAY NOT COMMIT 038 FUNDS UNTIL ASSURED
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GOP HAS FULL FINANCING FOR CONVENTION CENTER. BARLETTA

SHARPLY RETORTED THAT THE GOP HAS INDEED ARRANGED FOR SUCH FINANCING AND THAT THE USG NOW IS RAISING OBJECTIONS TO INCLUDING THE CONVENTION CENTER IN THE TOURISM PACKAGE TO BE CONSIDERED BY IDB BOARD EARLY NEXT YEAR. THE MINISTER THEN QUESTIONED WHETHER USG IS PLAYING WITH THE GOP BY FIRST ENCOURAGING GOP TO SEEK IDB FINANCING AND THEN USING USG POWER IN IDB TO OBSTRUCT LOAN APPROVAL.

4. THE MINISTER THEN STRONGLY CALLED AID DIRECTOR'S ATTENTION TO CONSEQUENCES OF WHAT HE CALLED "USG'S RENEGING ON COMMITMENTS" IF AID FUNDS WERE DEOBLIGATED BECAUSE USG VETOED IDB LOAN. HE STRESSED IMPORTANCE GOP ATTRIBUTES TO CONVENTION CENTER FOR REVIVING PANAMANIAN ECONOMY AND ANGRILY ASKED IF USG IS SEEKING ABORT GOP EFFORTS TO REBUILD ITS ECONOMY IN ORDER TO STRENGTHEN "YOUR BARGAINING POSITION IN THE CANAL NEGOTIATIONS." BARLETTA THEN ADVISED THAT TORRIJOS NOT YET SEIZED OF PROBLEM OF AID FUNDING OR POSSIBLE USG OBJECTIONS TO INCLUSION OF CONVENTION CENTER IN IDB TOURISM LOAN PACKAGE AND THAT TORRIJOS CONSIDERS CONVENTION CENTER AN IMPORTANT ELEMENT OF GOP PLANS TO ENCOURAGE PRIVATE SECTOR PARTICIPATION IN PROGRAM TO COMBAT CURRENT ECONOMIC STAGNATION. BARLETTA THEN REEMPHASIZED IMPORTANCE OF PROJECT TO GOP AND STATED CONSEQUENCES FOR FUTURE COOPERATION BETWEEN AID AND HIS MINISTRY ARE OBVIOUS. HE THEN INDICATED THAT HE PLANNED CALL TO AMBASSADOR JORDEN IN WASHINGTON TO INSURE THAT THE AMBASSADOR IS FULLY APPRAISED OF POLITICAL AND OTHER CONSEQUENCES IF PROJECT KILLED AS RESULT OF USG ACTIONS.

5. MISSION URGENTLY NEEDS GUIDANCE BY DECEMBER 7 ON HOW TO PROCEED. CAN REMAINING AID FUNDS AVAILABLE UNDER 038 BEFORE TCD BE OBLIGATED ONCE WE RECEIVE FORMAL ADVISE BY IPAT OF CONTRACTOR SELECTION, COMPLETE REQUIRED REVIEW OF SELECTION PROCEDURE, ETC., AND ARE INFORMED BY GOP THAT IT HAS ARRANGED BALANCE OF FUNDING NEEDED TO COMPLETE PROJECT, IN LIGHT OF OUR KNOWLEDGE THAT USG LIKELY TO OPPOSE INCLUSION OF CONVENTION CENTER IN IDB TOURISM LOAN TO GOP?

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